

Central Intelligence Agency



Washington, D.C. 20505

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DIRECTORATE OF INTELLIGENCE

19 April 1985

INDIAN ARMS DIVERSIFICATION [REDACTED]

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Summary

India's arms diversification policy is aimed at procuring weapons and production technology that are better than those available from the Soviet Union, increasing New Delhi's leverage with Moscow, and supporting its nonaligned image. In turning to the West, the Indians have looked mainly to Europe rather than the US because West European countries offer more generous financial terms and because New Delhi regards Washington as an unreliable arms supplier. From the US, the Indians primarily want subsystems that would enhance the performance of their Soviet weapons, but they will probably continue to be reluctant to sign contracts that do not contain extremely attractive terms. [REDACTED]

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This memorandum was prepared by [REDACTED] the Office of Near Eastern and South Asian Analysis. Information as of 10 April 1985 was used in its preparation. Comments and queries are welcome and may be addressed to the Chief, South Asia Division, NESA, [REDACTED]

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INDIAN ARMS DIVERSIFICATION [REDACTED]

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Background

India has spent \$2.5 billion on Western arms in the last 5 years; one third the amount spent on Soviet bloc weaponry. These purchases have served several military and political goals:

Better Weapons. The Indians have purchased Western arms to enhance their military modernization programs. New Delhi bought French Mirage 2000s fighters with their lookdown/shootdown capability in 1982 when a comparable Soviet aircraft--the MIG-29--was not available for export. The Indian Navy bought 12 Sea Harriers from the UK instead of less capable Soviet Forger VTOL fighters. The Indian Army has decided that it wants Western-155mm howitzers and rejected Soviet offers of 152mm howitzers. [REDACTED]

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Advanced Production Technology. While producing several Soviet weapons systems under license, India has sought out Western defense industries to provide technical assistance in the development of indigenous weapon systems. The West German firm, MBB, has teamed up with Hindustan Aeronautical Laboratories, India's only aircraft manufacturer, to work on a new light helicopter. MBB is also competing with British Aerospace and Saab of Sweden for work on the Indian Light Combat Aircraft which will also be produced by HAL. [REDACTED] the Soviets have made frantic efforts to dissuade the Indians from pursuing the LCA program with Western firms. [REDACTED]

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Reduced Dependence on Moscow. Soviet systems comprise the bulk of India's weaponry, but New Delhi in many cases also has purchased competing Western weapons [REDACTED]. The Indians undoubtedly calculate that such parallel purchases provide a margin of safety against undue Soviet attempts to use the arms relationship for political gain. [REDACTED]

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Leverage with the Soviets. We believe that the Indians have used purchases of Western weapons systems to obtain even better terms from Moscow and wider access to Soviet arms. After New Delhi purchased West German submarines in 1981, the Soviets offered India additional surface combatants, Kilo class submarines, and even nuclear submarine technology. After buying the Mirage 2000, India received access to the MIG-29 Fulcrum and the A-50 Mainstay AWACS. Since waiving its option to coproduce the Mirage 2000, India has had difficulty in getting the Soviets to finalize a MIG-29 agreement. We believe that recent highly publicized Indian interest in Italian missile hydrofoils and the British surplus aircraft carrier 'Hermes' probably was intended, in part, to secure Soviet agreement on additional naval weapons during Indian Defense Minister Rao's April trip to Moscow. [REDACTED]

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Nonaligned Image. We believe India perceives the purchase of Western, as well as Soviet, arms as a symbol of its nonaligned foreign policy. Indira Gandhi ordered an increase in Western arms purchases shortly after India was severely criticized by fellow moderates at the 1981 Nonaligned Movement ministerial meeting for supporting Cuba's pro-Soviet position. [REDACTED]

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Current Emphasis

The Indians are increasingly focusing on the acquisition of Western munitions and subsystems that will improve the performance and capabilities of their Soviet arms. For example:

- The Air Force is shopping both for Western electronic gear to equip a Soviet IL-76 as an AWACS platform and for spare parts for its MIG fighters.
- The Army is looking to refit hundreds of its T-55 tanks with Western fire control systems, guns, and possibly engines.

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Financing

One major factor that keeps India tied to Soviet weaponry is attractive financial terms. India buys Soviet arms at concessionary prices with low interest rates and long repayment periods--2 percent over 10-20 years, for example--and the Soviets accept rupees which New Delhi pays into a central account. Moscow uses these rupees to pay for Indian goods and its diplomatic facilities in India.

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West European governments have been able to compete with Moscow by offering loans at slightly below commercial interest rates, often with deferred payments. France, for example, sold India 40 Mirage 2000s for \$21 million each with five percent down and \$830 million financed over nine years at nine percent interest. We believe other West European arms have been purchased on similar terms.

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Attitude Toward the US

India attitude toward the United States as an arms supplier has been colored by a deepseated suspicion that the US is unreliable. Rajiv Gandhi, in a foreign policy speech before Parliament last week, again raised the often used Indian allegation that United States let India down in the 1965 and 1971 wars with Pakistan. He added that discussions over the purchase of US arms have always led to US insistence on unacceptable conditions. Several recent high level US visitors have been told by their Indian counterparts that New Delhi no longer knows what weapons to ask for because their arms requests have been rejected so many times.

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India has pursued a wide scale defense modernization effort in the last five years and has little need for major US weapons systems. The Indians are likely to test US willingness to consider broader arms sales by asking for important but less visible items, such as passive night vision devices, communications and electronic warfare equipment, and munitions production technology, according to Embassy reporting. In any event, India probably will not make any purchase without attractive loans, commercial offsets, or co-production arrangements. New Delhi has, in the past, refused to buy arms through the FMS program, probably fearing that the Soviets would react negatively if India established a formal government-to-government arms relationship with the United States. Recent Indian willingness to discuss an MOU on arms sales may suggest a change in their position on this issue.

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